

Provincial Budgeting and Financial Management

Presentation to Select Committee on Appropriations

Presenter: Edgar Sishi | National Treasury | 15 July 2014



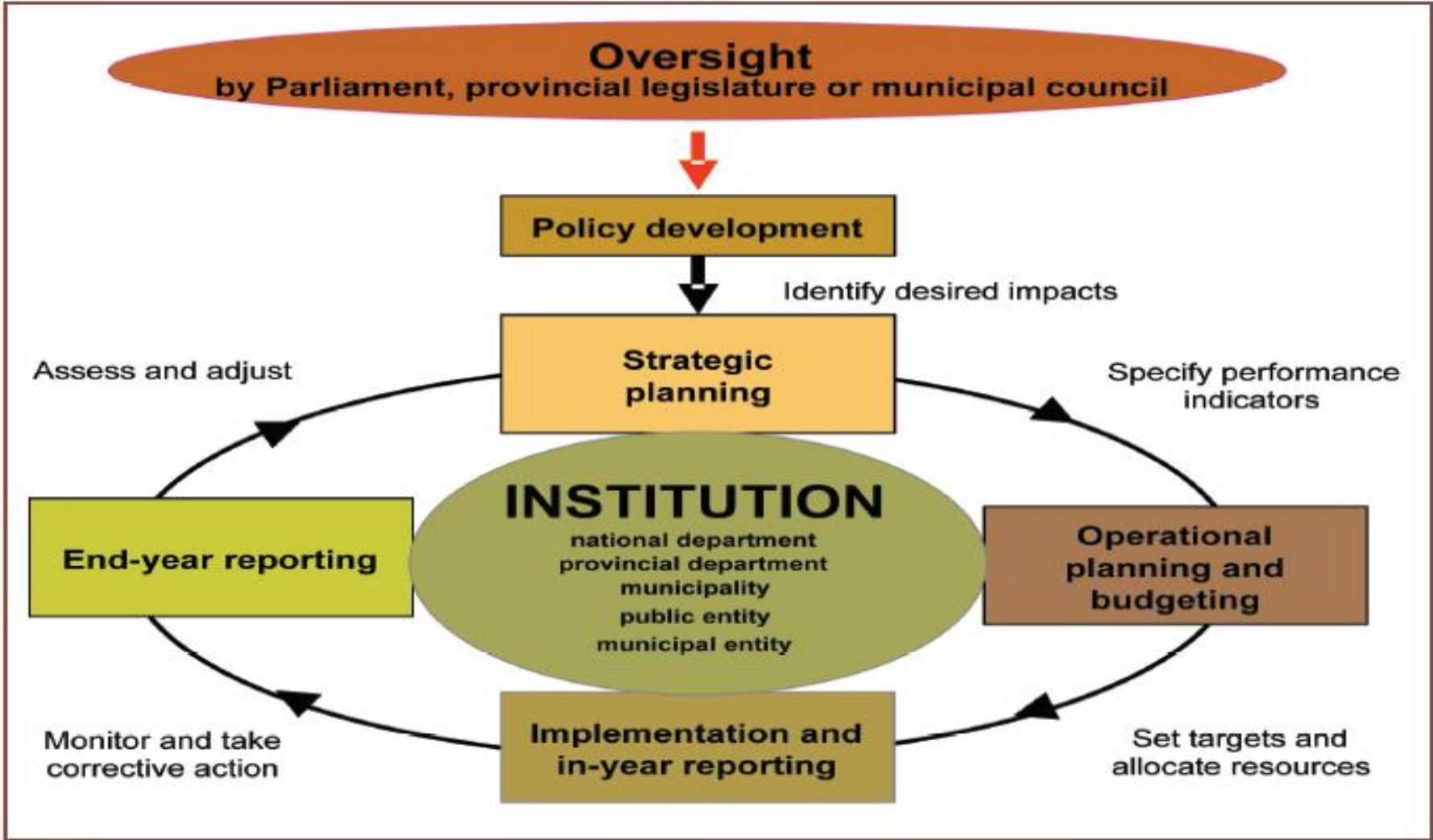
national treasury

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National Treasury
REPUBLIC OF SOUTH AFRICA

INTRODUCTION

- Provincial functions are assigned by the Constitution of the Republic
- Structures are established by the Constitution and legislation (in particular, the PFMA and the PSA):
 - Premier as the chief executive;
 - Members of Executive Councils (MECs) who report to the Premier
 - Heads of Depts (HODs) who report to Executive Councils (EXCOs)
 - Accounting Officer functions assigned to HODs
 - Provincial Treasuries established in terms of section 17 of the PFMA
- National Treasury has created various systems to manage the intergovernmental fiscal system.

Planning, Budgeting and Reporting Cycle



Budget Process

- Budget process at the heart of government
 - Guided by policies, priorities & making trade-offs
 - Co-ordination between planning, budgeting, policy development and implementation
- Budget Preparation
 - Collectively agreed in Cabinet / EXCO
 - Involves consultation with provinces and LG through Budget Council, Budget Forum and Extended Cabinet (Premiers and SALGA)
- Budget approval after tabling
 - Role for finance portfolio and standing committees, Joint Budget Committee

Budget Process Stages

- Four periods / stages:
 - Period One: 1 April 31 May
(Preparation and Reprioritisation)
 - Period Two: 1 June to 31 August
(Division of Revenue)
 - Period Three: 1 Sept to 30 November
(Allocation of Resources)
 - Period Four: 1 Dec to 31 March
(Finalisation of Documentation)

Provincial budget documents

- **MECs' Budget Speech**
 - Outlines main policy features of the provincial budget
- **Overview of Provincial Revenue and Expenditure (BS1)**
 - Economic policy and outlook of the province
 - Tax policy of the province
- **Provincial appropriation bill**
- **Estimates of Provincial Revenue and Expenditure (BS2)**
 - Provincial departments – using standardised budget programme structures
 - Policy developments and service delivery achievements and commitments alongside 7 year numbers
 - Must include information on public entities
- **Provincial Economic Review and Outlook**
- **People's Guide to the Budget**
- **Provincial Allocation to Section 29(2) of the 2011 DoRA (schools, hospitals, entities, municipalities)**
- **Infrastructure project lists for Roads, Education and Health**

How are Provincial Budgets and Expenditure Monitored

- To ensure that provincial budgets and spending patterns are in line with national government priorities;
- The main strategic tools that are utilised to achieve the objective include:
 - Budget Benchmarking for all nine provinces;
 - A uniform budgeting structure for all provinces;
 - in-year expenditure and performance monitoring (IYM) system
 - A Publication of the 2014 Provincial Budgets and Expenditure Review
 - Various capacity-building initiatives (including training and on-site support to Provincial Treasuries);
 - Various forums (CFO forums, P-MTEC forums, On-site visits, TCF, Budget Council, CG forums);
- Section 100 interventions;
- Issuing guidelines to provinces in respect of:
 - Cash management;
 - Own Revenue management;
 - Personnel costing and modelling

Provincial Reporting

- Reporting required by PFMA Section 32 (“Section 32 reports”)
- Provinces report revenue and expenditure monthly to National Treasury
 - This is the in-year-monitoring system
- At the end of each quarter they report expenditure and revenue up to the end of the quarter
- National Treasury publishes this within 30 days after the end of the quarter
 - Summary press release
 - And detailed report per province

Provincial reporting (2)

- Summary press report:
 - Detailed analysis of social services (health, education and social development)
 - Personnel and Capital in health
 - Analyses of capital and personnel (all sectors)
 - Comparisons with expenditure for same period during the previous year

Parliament and Provincial Legislatures – tools for active oversight

- Quarterly reports (Section 32) from provinces:
 - Spending by vote – watch for under over spending
 - Spending on personnel – need to watch spending very closely
 - Capital and goods and services – critical to watch in education and health as under-spending on these implies no service delivery
 - Spending on conditional grants – under spending must be questioned
 - Watch for withholding and request explanations
- Capital project lists (new requirement)
 - Check that planned projects are stuck to over the MTEF
- Quarterly non-financial information (Presidency)
- National Treasury Briefings
 - NT provides briefings to Parliament as required on:
 - Financial position;
 - Conditional Grants; and
 - Other Division of Revenue Issues



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– In the previous Parliament the norm was quarterly briefings

Budget Reforms in SA

- Accounting Reform
- Procurement Reform

Improving operational & allocative efficiency

Publication of Quarterly Performance Information

Measurable objectives

MFMA

SCOA

SPP tabled

Publication of Section 32 & CG information

AR tabled

Estimates of National Expenditure & Provincial Budget Statements 1 & 2

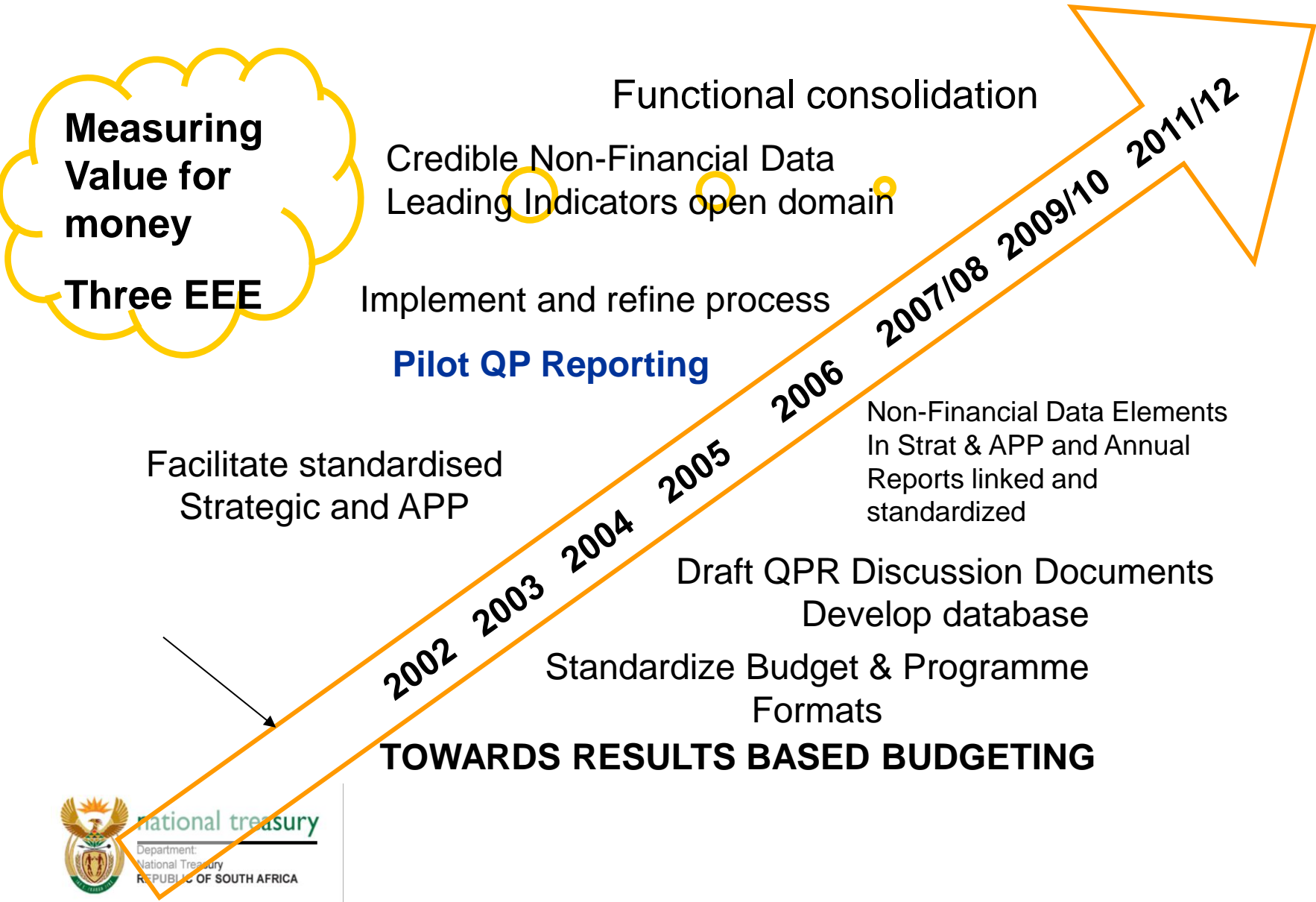
Public Finance Management Act

National Expenditure Survey & IGFR

Medium Term Expenditure Framework

Intergovernmental System

Budget Reform Process in SA (2)



CONCLUSION

- It is recommended that the Committees note the briefing report and peruse the supplementary information at their convenience

ANNEXURE TO BRIEFING *SUPPLEMENTARY INFORMATION ON PROVINCES*



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Provincial aggregated budgets and expenditure as at 31 March 2014 (Preliminary)

Table: Provincial Aggregated Budgets and Expenditure as at 31 March 2014

R thousand	Adjusted budget	Preliminary outcome	Actual payments as at 31 March 2014	Actual payments as % of adjusted budget	(Over)	Under	%(Over)/under of adjusted budget	% share of total provincial expenditure	Year-on-year increase	2012/13: Outcome as at 31 March 2013	Year-on-year growth
Eastern Cape	61 375 898	60 591 183	60 591 183	98.7%	-	784 715	1.3%	14.3%	4 433 732	56 157 451	7.9%
Free State	27 649 170	27 360 251	27 360 251	99.0%	-	288 919	1.0%	6.4%	1 717 492	25 642 759	6.7%
Gauteng	79 595 843	77 414 700	77 414 700	97.3%	-	2 181 143	2.7%	18.2%	3 606 808	73 807 892	4.9%
Kw aZulu-Natal	91 965 549	92 072 020	92 072 020	100.1%	-106 471	-	-0.1%	21.7%	6 429 783	85 642 237	7.5%
Limpopo	48 406 925	46 824 344	46 824 344	96.7%	-	1 582 581	3.3%	11.0%	1 176 103	45 648 241	2.6%
Mpumalanga	34 225 515	33 707 988	33 707 988	98.5%	-	517 527	1.5%	7.9%	2 355 128	31 352 860	7.5%
Northern Cape	13 292 732	13 131 562	13 131 562	98.8%	-	161 170	1.2%	3.1%	1 894 575	11 236 987	16.9%
North West	30 266 700	30 202 684	30 202 684	99.8%	-	64 016	0.2%	7.1%	4 725 833	25 476 851	18.5%
Western Cape	44 080 706	43 593 929	43 593 929	98.9%	-	486 777	1.1%	10.3%	3 614 184	39 979 745	9.0%
Total	430 859 037	424 898 661	424 898 661	98.6%	-106 471	6 066 847	1.4%	100.0%	29 953 639	394 945 022	7.6%

Proportion of provincial expenditure on services

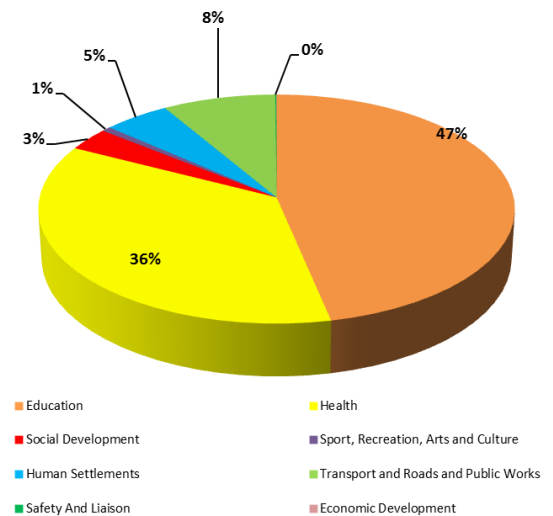
	2010/11	2011/12	2012/13	2013/14
R thousands				
	Outcomes			Preliminary outcome
Departmental provincial budgeted expenditure to the poor				
Education	129 181 911	146 711 680	155 691 037	165 500 943
Public Ordinary School Education	108 886 502	121 070 492	128 785 886	137 831 598
Independent School Subsidies	699 895	746 757	793 487	899 555
Public Special School Education	3 889 111	4 300 707	4 628 234	5 181 804
Further Education and Training	3 726 534	4 688 861	4 946 876	2 530 819
Adult Basic Education and Training	1 222 855	1 413 194	1 535 932	1 579 229
Early Childhood Development	1 958 948	2 076 269	2 235 908	2 658 593
Infrastructure Development	5 688 071	8 627 325	8 475 087	9 988 062
Auxiliary and Associated Services	3 109 995	3 788 075	4 289 626	4 831 283
Health	95 282 945	108 194 383	119 350 880	127 044 320
District Health Services	42 002 879	47 075 849	53 369 195	57 896 438
Emergency Medical Services	3 863 029	4 619 887	5 049 974	5 327 955
Provincial Hospitals Services	20 631 974	22 830 509	24 300 914	26 471 627
Central Hospital Services	17 365 464	20 414 082	22 182 570	23 518 333
Health Sciences and Training	3 308 411	3 467 297	3 726 391	4 011 161
Health Care Support Services	1 528 349	1 595 334	1 763 643	1 918 384
Health Facilities Management	6 582 839	8 191 425	8 958 192	7 900 423
Social Development	7 770 263	9 402 442	9 858 664	11 531 974
Social Welfare Services	3 104 933	3 742 404	3 948 637	3 922 654
Children and Families	2 732 453	3 416 214	3 571 392	4 694 795
Restorative Services	962 275	1 054 485	1 154 224	1 498 939
Development and Research	970 601	1 189 340	1 184 411	1 415 586
Sport, Recreation, Arts and Culture	1 517 740	1 834 463	1 934 211	2 406 262
Library and Information Services	653 387	778 358	871 639	1 132 417
Sport Development	413 690	561 687	528 311	654 030
Recreation Development	259 027	264 660	255 447	299 841
School Sport	191 636	229 758	278 814	319 974
Human Settlements	15 950 113	15 506 284	16 363 675	17 682 376
Housing Needs, Research and Planning	215 354	134 550	141 961	222 238
Housing Development	15 210 865	14 996 851	15 843 648	17 069 727
Housing Asset Management	523 894	374 883	378 066	390 411
Additional provincial budgeted expenditure to the poor				
Transport and Roads and Public Works	23 567 031	27 169 003	29 142 275	30 057 976
Public Works Infrastructure	6 314 747	6 993 561	7 261 384	8 050 136
Transport Infrastructure	12 611 061	14 169 792	15 688 448	16 713 486
Public Transport Services	4 641 223	6 005 650	6 192 443	5 294 354
Safety And Liaison	262 423	262 732	264 333	304 319
Social Crime Prevention	183 129	191 714	186 178	227 846
Promotion of Safety	79 294	71 018	78 155	76 473
Social Wage Total	273 546 021	309 099 354	332 631 704	354 564 328
Proportion of Social Wage to Total Provincial Budget	82.6%	83.9%	84.3%	83.4%

Social Wage definition

The social wage provided by government represents a steadily rising contribution to improved living conditions of working people and their families. Government contributes to reducing the cost of living through investment in the social wage. The social wage comprises of education, health services, social development, public transport, housing and local amenities;

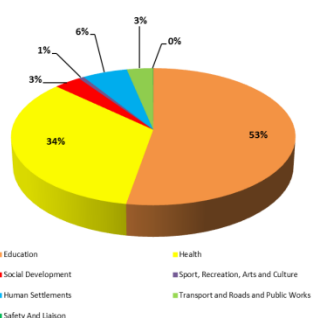
National Treasury, 2013 Budget Review, Page 81

% share of sectoral contribution to the social wage, 2013/14

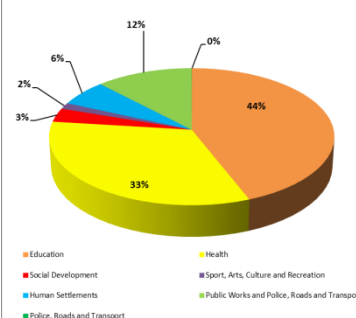


Proportion of provincial expenditure on services: By Province

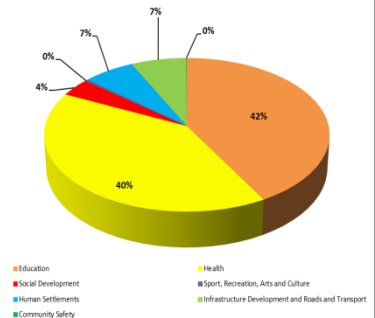
EC: % share of departmental contribution to the social wage, 2013/14



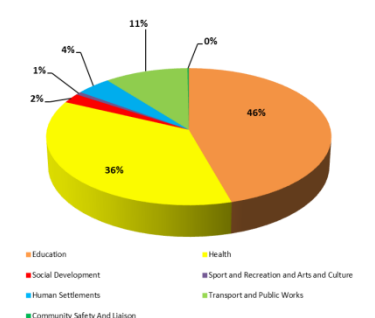
FS: % share of departmental contribution to the social wage, 2013/14



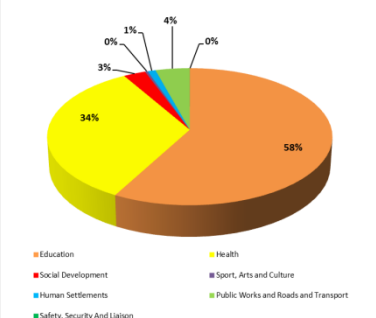
GT: % share of departmental contribution to the social wage, 2013/14



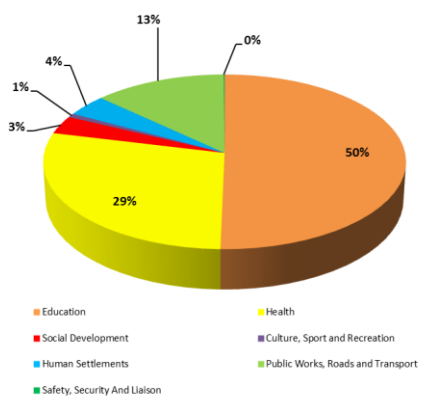
KZN: % share of departmental contribution to the social wage, 2013/14



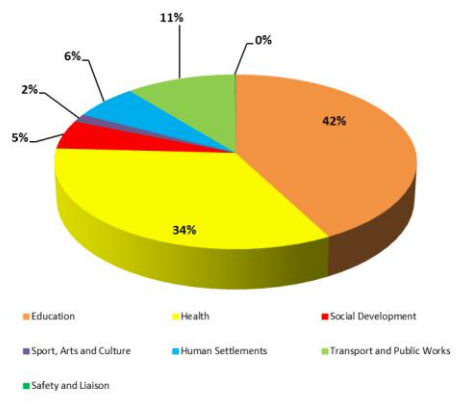
LIM: % share of departmental contribution to the social wage, 2013/14



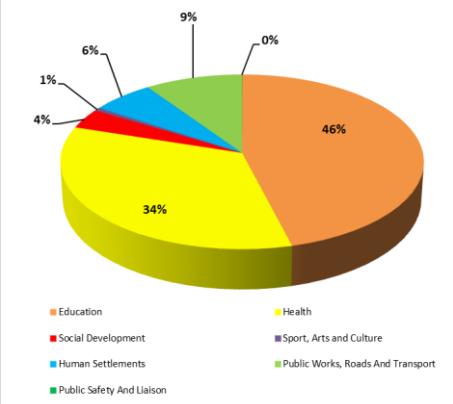
MPU: % share of departmental contribution to the social wage, 2013/14



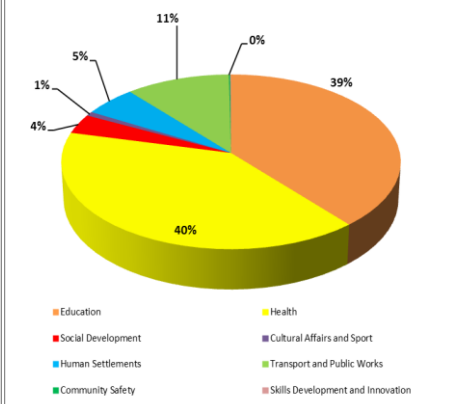
NC: % share of departmental contribution to the social wage, 2013/14



NW: % share of departmental contribution to the social wage, 2013/14

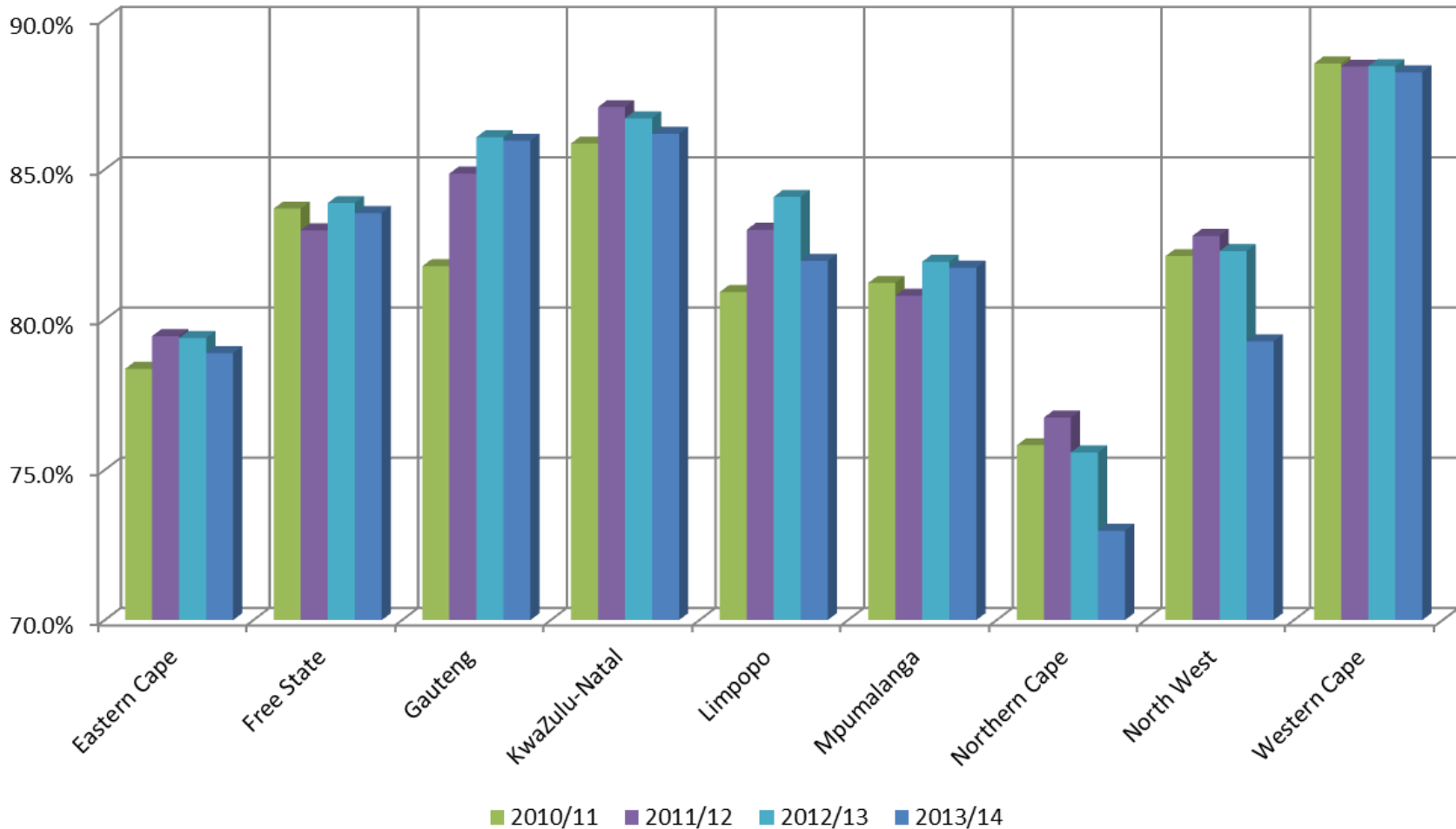


WC: % share of departmental contribution to the social wage, 2013/14



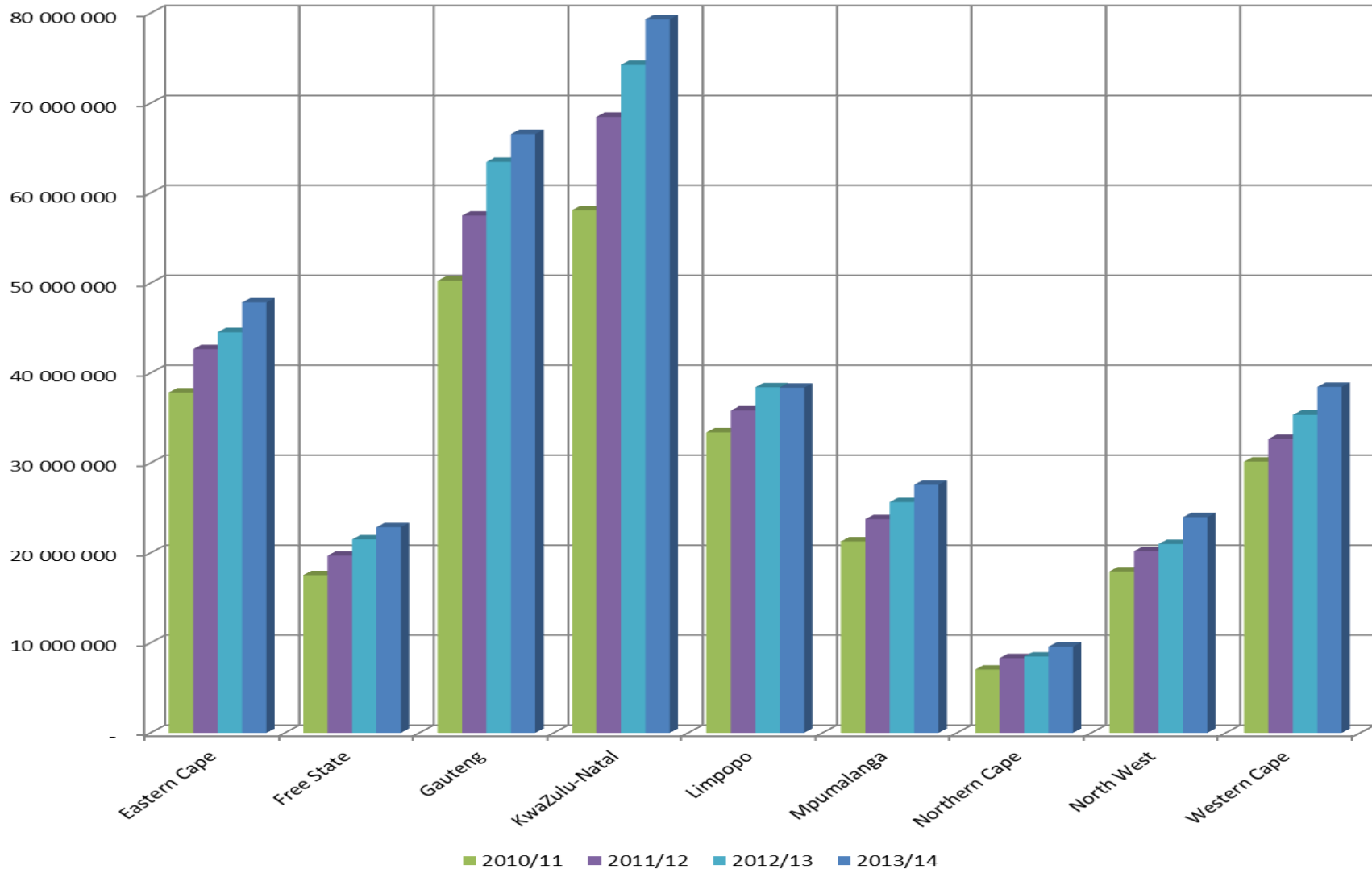
Proportion of provincial expenditure on services: 2010/11 to 2013/14

Proportion of social wage to total provincial expenditure, 2010/11 to 2013/14



Proportion of provincial expenditure on services: Rand values

Social Wage, 2010/11 to 2013/14



Education

Table: Provincial education preliminary (over)/under expenditure as at 31 March 2014 (Section 32)

R thousand	Total education		Personnel		Capital		Non-personnel, non-capital		<i>of which:</i> Goods and services	
	(Over)	Under	(Over)	Under	(Over)	Under	(Over)	Under	(Over)	Under
Eastern Cape	-	192 567	-	65 462	-	228 792	-101 687	-	-	60 584
Free State	-306 426	-	-602 481	-	-	51 082	-	244 973	-	246 823
Gauteng	-	269 788	-191 494	-	-	143 442	-	317 840	-	322 652
Kw aZulu-Natal	-31 952	-	-480 921	-	-	55 882	-	393 087	-	335 573
Limpopo	-	393 825	-11 190	-	-72 550	-	-	477 565	-	506 215
Mpumalanga	-	173 401	-	139 264	-	9 411	-	24 726	-	38 430
Northern Cape	-35 148	-	-	5 941	-	13 176	-54 265	-	-26 332	-
North West	-155 138	-	-191 030	-	-	5 461	-	30 431	-	48 428
Western Cape	-	159 250	-	68 153	-	187 819	-96 722	-	-	88 247
Total	-528 664	1 188 831	-1 477 116	278 820	-72 550	695 065	-252 674	1 488 622	-26 332	1 646 953

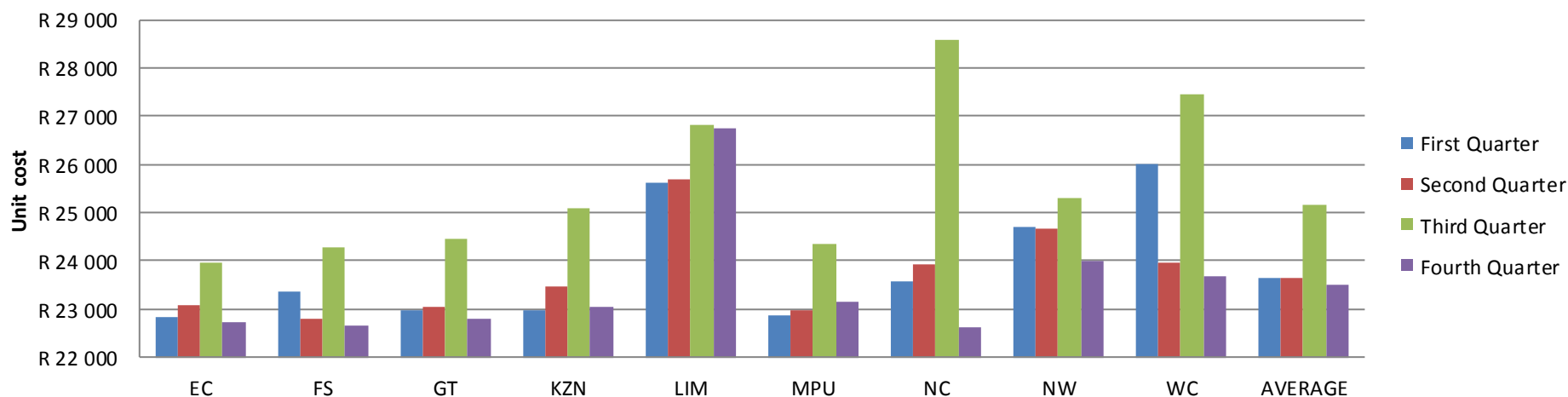
Education: Headcounts

Table: Education: Employment and expenditure on employment by quarter as at 31 March 2014 (Section 32)

Province	First Quarter			Second Quarter			Third Quarter			Fourth Quarter		
	Employment (end of quarter) ¹	Unit cost (Rand per month)	CoE (R thousands)	Employment (end of quarter) ¹	Unit cost (Rand per month)	CoE (R thousands)	Employment (end of quarter) ¹	Unit cost (Rand per month)	CoE (R thousands)	Employment (end of quarter) ¹	Unit cost (Rand per month)	CoE (R thousands)
Eastern Cape	79 925	R 22 834	5 474 946	79 846	R 23 089	5 530 691	79 107	R 23 969	5 688 382	78 703	R 22 724	5 365 381
Free State	31 066	R 23 345	2 175 738	32 024	R 22 805	2 190 881	30 509	R 24 295	2 223 645	31 344	R 22 669	2 131 601
Gauteng	82 990	R 22 969	5 718 592	83 305	R 23 057	5 762 410	78 184	R 24 454	5 735 771	83 629	R 22 807	5 721 885
Kw aZulu-Natal	107 516	R 22 983	7 413 061	108 254	R 23 457	7 618 082	104 899	R 25 102	7 899 370	107 209	R 23 057	7 415 753
Limpopo	63 251	R 25 611	4 859 756	63 377	R 25 672	4 881 047	59 917	R 26 802	4 817 654	62 717	R 26 760	5 034 972
Mpumalanga	42 920	R 22 855	2 942 762	42 652	R 22 979	2 940 278	40 249	R 24 335	2 938 431	42 210	R 23 132	2 929 217
Northern Cape	12 255	R 23 572	866 636	12 392	R 23 908	888 817	10 476	R 28 591	898 560	12 447	R 22 630	845 025
North West	30 431	R 24 707	2 255 583	31 293	R 24 683	2 317 247	31 432	R 25 286	2 384 364	30 597	R 23 992	2 202 253
Western Cape	36 844	R 26 009	2 874 780	40 398	R 23 951	2 902 684	35 397	R 27 437	2 913 575	40 556	R 23 683	2 881 480
Total/Average	487 198	R 23 660	34 581 854	493 541	R 23 660	35 032 137	470 170	R 25 168	35 499 752	489 412	R 23 516	34 527 567

1. Source: Vulindlela

Education: Actual Unit Cost per Quarter



Health

Table: Provincial health preliminary (over)/under expenditure as at 31 March 2014 (Section 32)

R thousand	Total health		Personnel		Capital		Non-personnel, non-capital		<i>of which:</i> Goods and services	
	(Over)	Under	(Over)	Under	(Over)	Under	(Over)	Under	(Over)	Under
Eastern Cape	-	224 064	-	362 469	-421	-	-137 985	-	-119 915	-
Free State	-	214 092	-28 543	-	-	176 860	-	65 775	-	63 091
Gauteng	-	1 354 986	-98 129	-	-	768 924	-	684 191	-	642 908
KwaZulu-Natal	-298 018	-	-25 934	-	-26 973	-	-245 112	-	-256 337	-
Limpopo	-	290 189	-	126 920	-	175 503	-12 234	-	-56 451	-
Mpumalanga	-	55 601	-	11 630	-	131 746	-87 775	-	-18 976	-
Northern Cape	-	71 841	-	16 464	-	89 904	-34 527	-	-22 512	-
North West	-40 704	-	-13 433	-	-	15 297	-42 568	-	-35 498	-
Western Cape	-	134 470	-	114 664	-	87 465	-67 659	-	-80 430	-
Total	-338 722	2 345 242	-166 039	632 147	-27 394	1 445 699	-627 860	749 966	-590 119	705 999

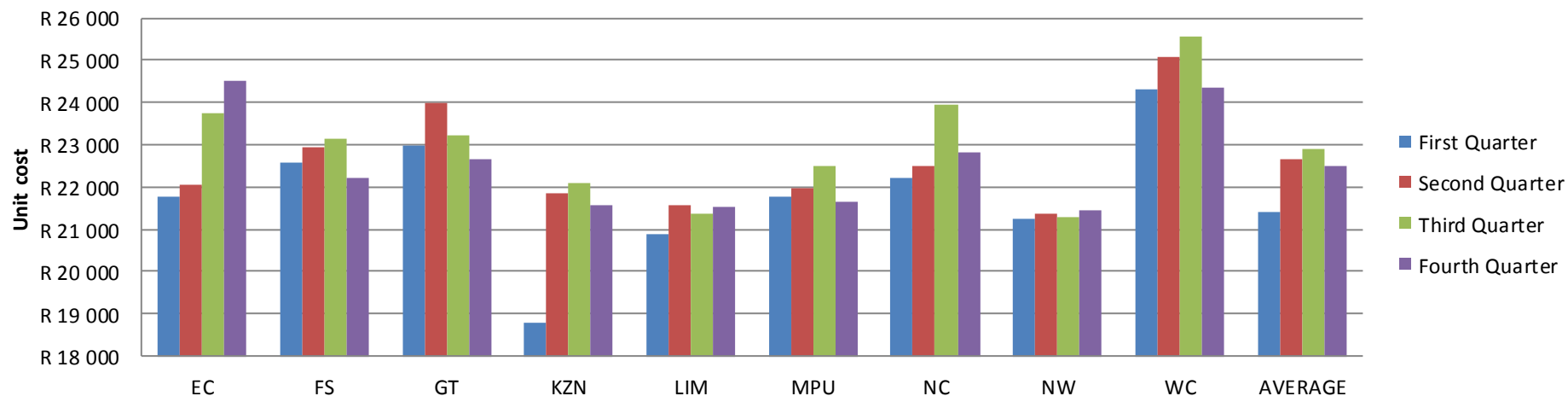
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Province	First Quarter			Second Quarter			Third Quarter			Fourth Quarter		
	Employment (end of quarter) ¹	Unit cost (Rand per month)	CoE (R thousands)	Employment (end of quarter) ¹	Unit cost (Rand per month)	CoE (R thousands)	Employment (end of quarter) ¹	Unit cost (Rand per month)	CoE (R thousands)	Employment (end of quarter) ¹	Unit cost (Rand per month)	CoE (R thousands)
Eastern Cape	39 208	R 21 756	2 559 068	38 974	R 22 045	2 577 514	38 133	R 23 765	2 718 683	38 586	R 24 533	2 839 878
Free State	19 071	R 22 597	1 292 817	19 065	R 22 954	1 312 848	18 583	R 23 145	1 290 337	18 867	R 22 235	1 258 540
Gauteng	61 175	R 22 982	4 217 710	61 419	R 23 998	4 421 709	60 186	R 23 236	4 195 499	62 682	R 22 664	4 261 935
Kw aZulu-Natal	81 438	R 18 800	4 593 225	71 928	R 21 843	4 713 296	70 790	R 22 105	4 694 426	72 291	R 21 566	4 677 023
Limpopo	36 970	R 20 870	2 314 721	36 684	R 21 583	2 375 271	36 309	R 21 357	2 326 365	36 608	R 21 526	2 364 047
Mpumalanga	18 693	R 21 758	1 220 151	19 024	R 21 963	1 253 446	18 801	R 22 497	1 268 905	19 200	R 21 655	1 247 338
Northern Cape	6 455	R 22 203	429 956	6 517	R 22 504	439 976	6 375	R 23 943	457 911	6 731	R 22 823	460 865
North West	18 454	R 21 231	1 175 378	18 936	R 21 377	1 214 386	19 259	R 21 283	1 229 681	19 287	R 21 455	1 241 421
Western Cape	30 979	R 24 310	2 259 272	31 265	R 25 080	2 352 392	30 167	R 25 580	2 315 049	31 629	R 24 358	2 311 225
Total/Average	312 443	R 21 404	20 062 298	303 812	R 22 668	20 660 838	298 603	R 22 881	20 496 856	305 881	R 22 517	20 662 272

1. Source: Vulindlela

Health: Actual Unit Cost per Quarter



Proportionate expenditure by Economic Classification

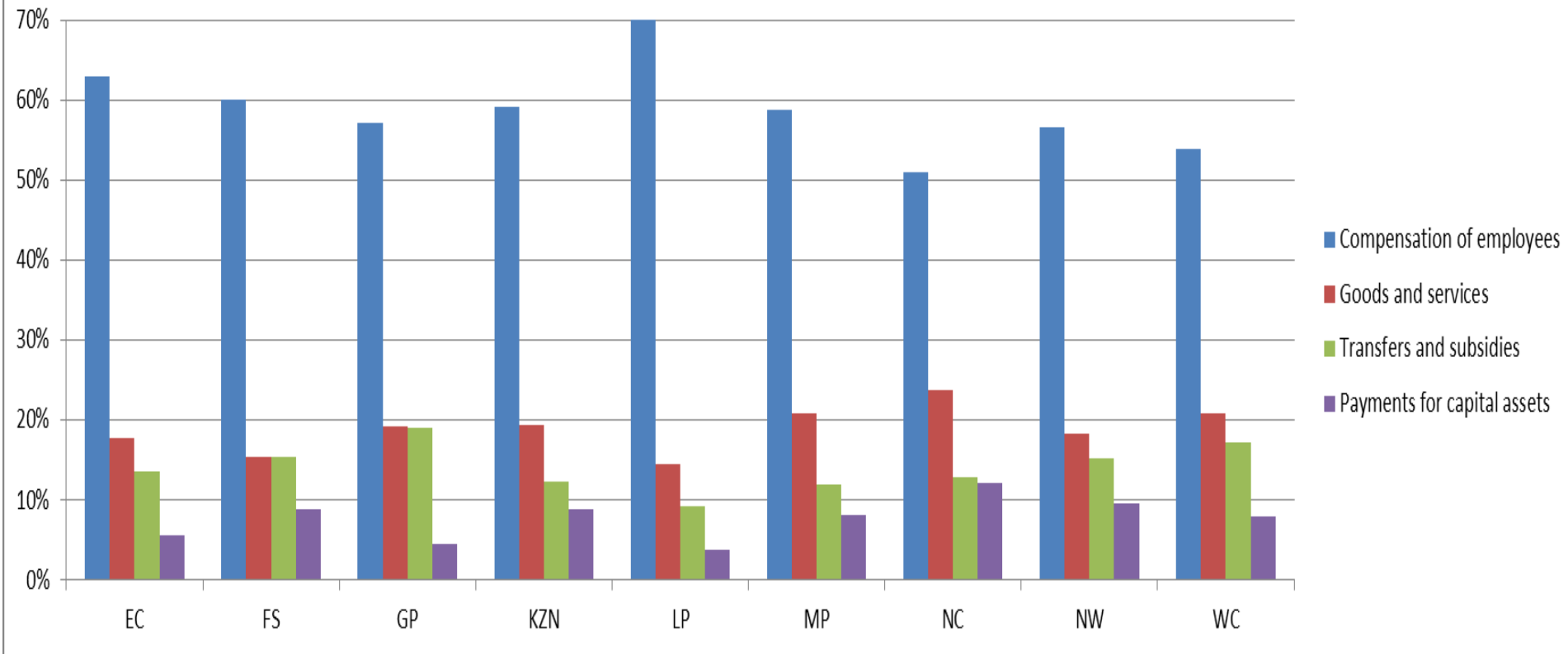
Table: Proportionate expenditure of provinces as at 31 March 2014 (Section 32)

R million	Expenditure as at 31 March 2014 (Section 32)									Total all provinces
	EC	FS	GP	KZN	LP	MP	NC	NW	WC	
Economic classification										
Current payments	48 984	20 694	59 145	72 470	40 751	26 881	9 828	22 697	32 562	334 013
Compensation of employees	38 231	16 460	44 274	54 545	33 921	19 856	6 703	17 141	23 505	254 635
Goods and services	10 749	4 233	14 864	17 919	6 830	7 024	3 122	5 554	9 058	79 353
Other current payments	3	2	7	6	–	0	3	3	0	25
Transfers and subsidies	8 188	4 239	14 706	11 334	4 313	4 051	1 701	4 626	7 505	60 663
Payments for capital assets	3 418	2 423	3 422	8 241	1 756	2 770	1 602	2 879	3 511	30 021
Payments for financial assets	1	3	142	28	4	6	0	1	16	202
<i>of which: non-comp, non-capital</i>	18 942	8 477	29 719	29 287	11 148	11 082	4 826	10 183	16 579	140 242
Total payments	60 591	27 360	77 415	92 072	46 824	33 708	13 132	30 203	43 594	424 899

Percentage share of total economic classification										
Economic classification										
Current payments	80.8%	75.6%	76.4%	78.7%	87.0%	79.7%	74.8%	75.2%	74.7%	78.6%
Compensation of employees	63.1%	60.2%	57.2%	59.2%	72.4%	58.9%	51.0%	56.8%	53.9%	59.9%
Goods and services	17.7%	15.5%	19.2%	19.5%	14.6%	20.8%	23.8%	18.4%	20.8%	18.7%
Other current payments	0.0%	0.0%	0.0%	0.0%	–	0.0%	0.0%	0.0%	0.0%	0.0%
Transfers and subsidies	13.5%	15.5%	19.0%	12.3%	9.2%	12.0%	13.0%	15.3%	17.2%	14.3%
Payments for capital assets	5.6%	8.9%	4.4%	9.0%	3.7%	8.2%	12.2%	9.5%	8.1%	7.1%
Payments for financial assets	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>of which: non-comp, non-capital</i>	31.3%	31.0%	38.4%	31.8%	23.8%	32.9%	36.8%	33.7%	38.0%	33.0%
Total payments	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

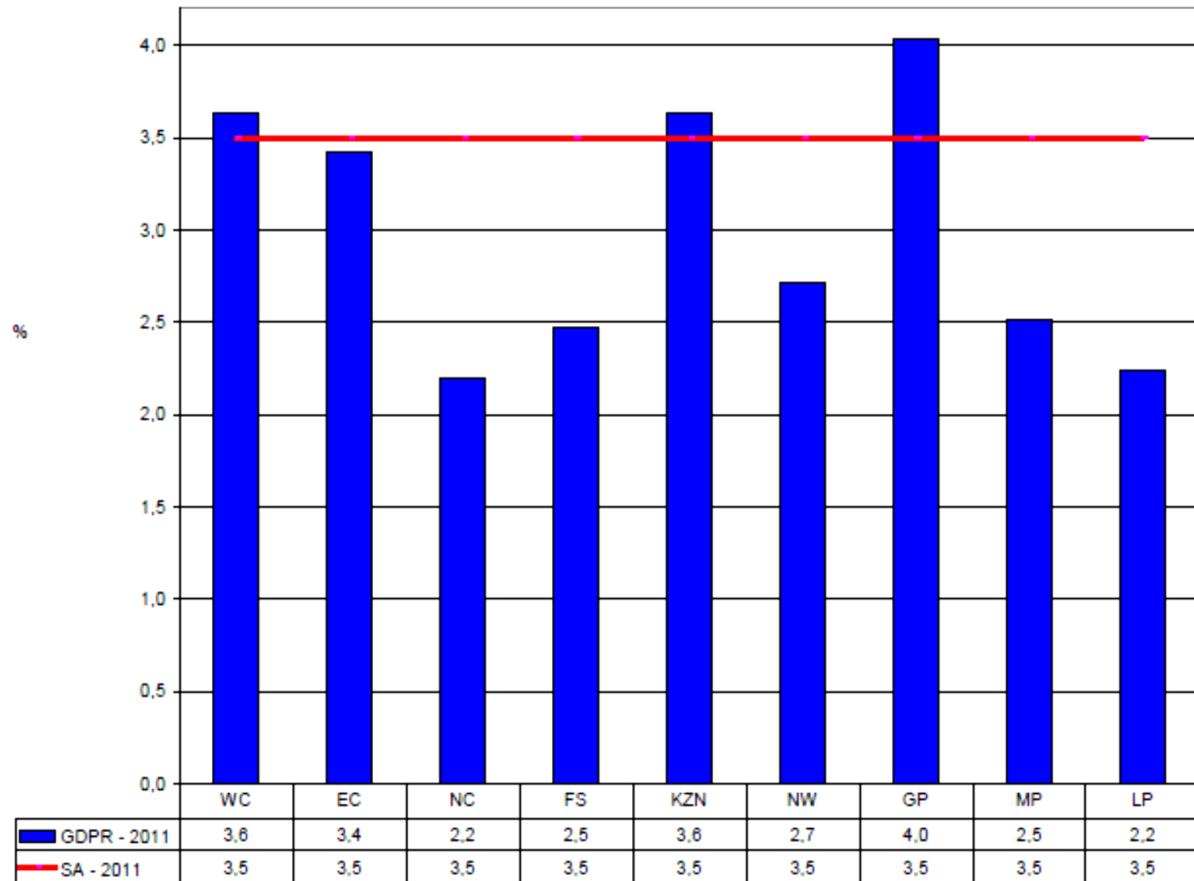
Proportionate expenditure by Economic Classification

Percentage share of total expenditure, 2013/14



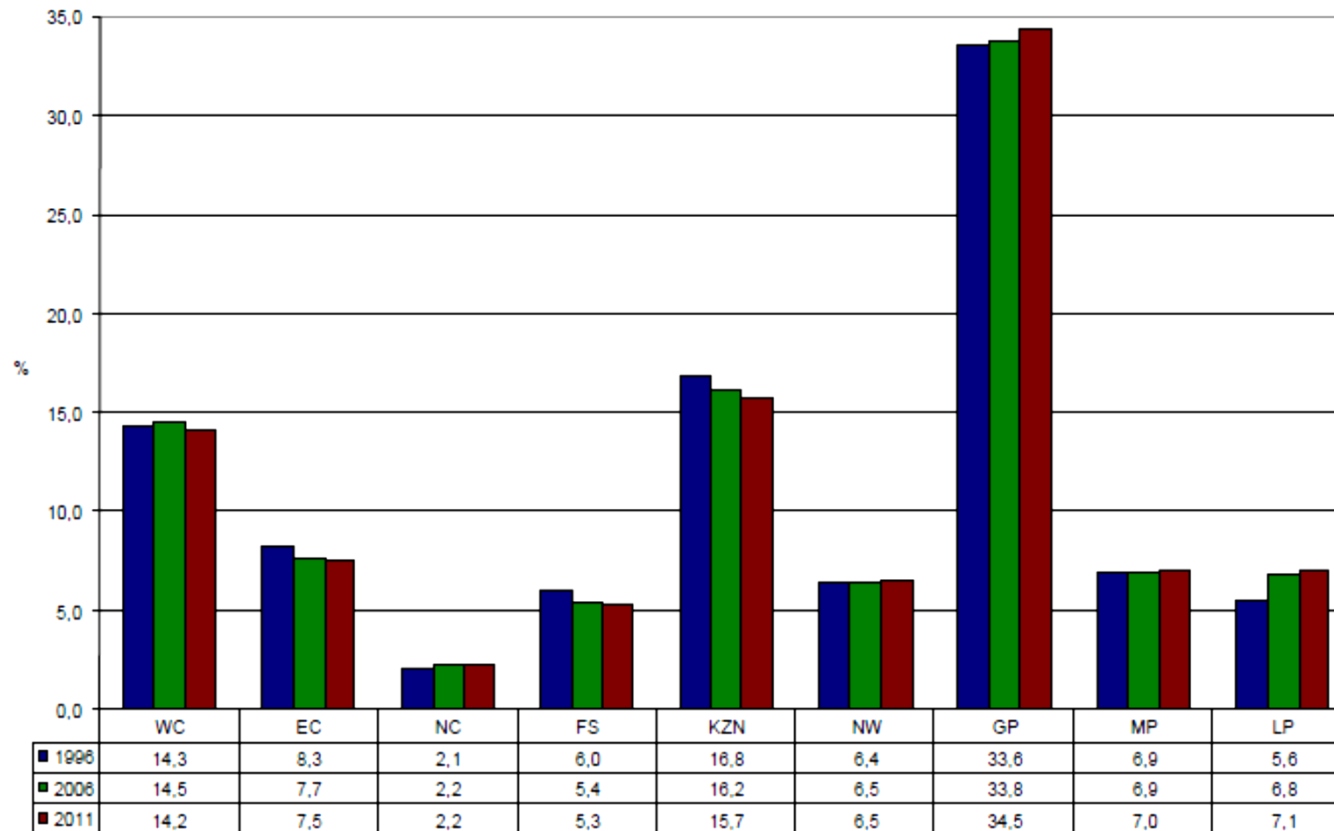
Macro-economic Indicators (1)

- Economic Growth per province



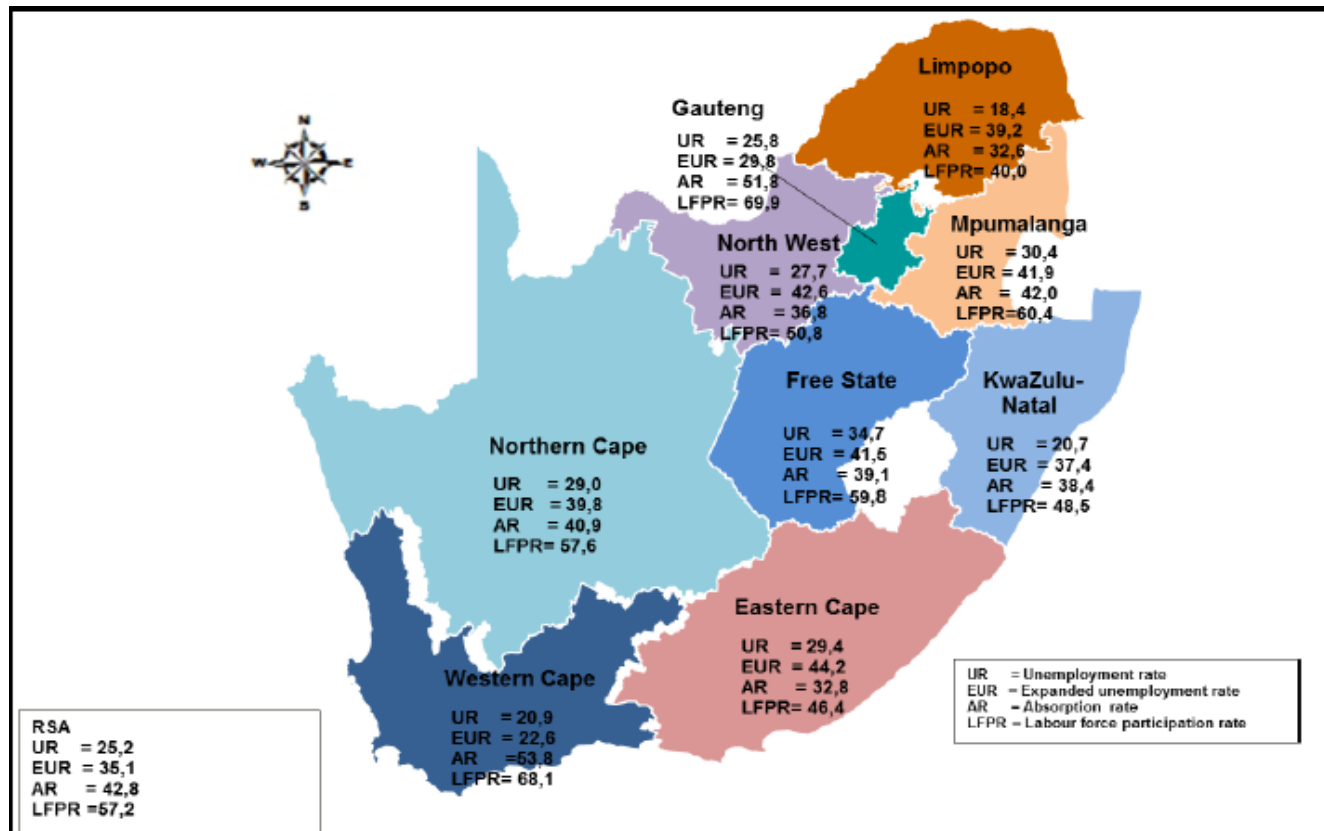
Macro-economic Indicators (2)

- Contribution of each provincial economy to national GDP



Macro-economic Indicators (3)

- Labour market at a glance per province (1st quarter 2014)



THANK YOU